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Ministry
of Defence

JSP 886
DEFENCE LOGISTIC SUPPORT CHAIN MANUAL

VOLUME 4
MATERIEL ACCOUNTING

PART 6
LOSSES

| VERSION RECORD | | |
|----------------|--------------|---|
| Version Number | Version Date | Version Description |
| 2.1 | 27 May 11 | Correction of typographic errors. |
| 2.2 | 02 May 12 | Change to Chapter 4, Paragraph 4c. |
| 3.0 | 24 Jan 13 | Major Revise after SCM-SCO-MA Review. |
| 3.1 | 05 Mar 13 | Changes to Figure 2: (a) MLC 7 – added note (b) MLC 9 – description reworded. Change to Chapter 4 – new paragraph in repairable damage section (paragraph 14). |
| 3.2 | 22 Apr 13 | Chapter 1 - Document Sponsor, removed address line from SCO MA. Updated ET contact details. Chapter 2 - Responsibilities updated. Chapter 3 - Figure 3 updated. |
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| 3.5 | 23 Jan 14 | Alignment of Loss Value (£300K) to JSP 472. |
| 3.6 | 13 Oct 14 | Chapter 3, Paragraph 2j – Change of reference to MOD Form 2260. |

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CHAPTER 1: INTRODUCTION

PURPOSE

1. The purpose of this instruction is to provide policy and processes to be applied to ensure all materiel losses are properly identified, investigated, reported and accounted for as appropriate in the Defence community. It should be read together with the linked publications listed below.

INTRODUCTION

2. Losses of materiel are serious and are to be investigated to determine the reason for the loss and identify any remedial action that needs to be taken. In particular:

- a. Losses deprive the customer of essential materiel, especially during operations.
- b. Losses can be indicators of inadequate management of materiel due to poor accounting/storekeeping, theft and/or avoidable damage.
- c. Losses result in additional and unplanned expenditure to replace equipment.

3. There are many types of loss in terms of Materiel, Cash and Special Payments. This instruction deals with the identification, investigation and reporting procedures relating solely to Materiel losses (excluding fixed assets). Instructions pertaining to the treatment of other losses, such as fixed assets and cash can be found in JSP 472 Chapter 12: Losses and Special Payments.

4. Materiel Loss is an event, which results in the absence of the materiel or equipment, required in support of operations, operational training, upkeep or maintenance. Losses will result in a stock balance adjustment to remove items from the materiel account and financial write-off action if the full value of the loss cannot be recovered.

5. The process leading to write-off is to investigate and identify any contributory fault or error and to ensure recurrence is prevented or minimised. All write-off action must be recorded and an audit trail must be maintained.

6. The Public Accounts Committee (PAC) examines major loss cases and has the authority to conduct a searching examination of the loss and may call for explanations from MOD representatives. Losses of major significance include:

- a. Those involving fraud.
- b. Those giving rise to doubts about the effectiveness of existing systems.
- c. Those where lessons need to be learnt that are of concern to a wider audience.
- d. [Those that exceed £300k.](#)

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OWNERSHIP AND POINTS OF CONTACT

7. The policy, processes and procedures described in the Defence Logistics Support Chain Manual (JSP 886) are owned by the Assistant Chief of the Defence Staff Logistics Operations (ACDSLOGOPS). Head of ACDS Log Ops Policy (ACDSLOGOPS-DefLogPolHd) is responsible for the management of JSC policy on behalf of ACDSLOGOPS. DES IMOC SCM-SCO is responsible for the generic Materiel Accounting Policy contained in this instruction. Enquiries concerning the content of this instruction are to be addressed to:

- a. Regarding the content to the policy Sponsor:

DES IMOC SCM-SCO Materiel Accounting
Tel: Mil: 9679 81441, Civ: 030 679 81441
Email: [DES IMOC SCM-SCO-MatAcctg1](mailto:DES_IMOC_SCM-SCO-MatAcctg1)

- b. Regarding the accessibility of the document:

ACDS LOGOPS-Def Log Pol-JSP886
Tel: Mil 9679 80953. Civ 030 679 80953
Email: [ACDS LOGOPS-Def Log Pol-JSP886](mailto:ACDS_LOGOPS-Def_Log_Pol-JSP886)

GLOSSARY

8. A Glossary of Joint Support Chain terms are at JSP 886 Volume 1 Part 1A: Glossary.

LINKED PUBLICATIONS

9. The following publications are linked to this instruction:

- a. [JSP 384: Management of Defence Accommodation Stores \(DAS\).](#)
- b. [JSP 392: The Radiation Safety Handbook.](#)
- c. [JSP 440: Defence Manual of Security.](#)
- d. [JSP 472: Financial Accounting and Reporting Manual.](#)
- e. [JSP 752: Tri Service Regulations for Allowances.](#)
- f. [JSP 830: Manual of Service Law.](#)
- g. [JSP 886 Defence Logistic Support Chain Manual.](#)

(1) Volume 3 Part 15: Supply Chain Transactions.

(2) Volume 4: Materiel Accounting.

(a) Part 1: Fundamentals of Materiel Accounting.

(b) Part 2: Defence Stocktaking.

(c) Part 4: Government Furnished Equipment.

(3) Volume 6 Part 5: Clothing.

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- h. [DEFSTAN 05-99: Managing Government Furnished Equipment in Industry.](#)
- i. [Land Force Standing Order \(LFSO\) 4407: Short-Term Loans of Clothing, General Stores and Other Equipments from Land Forces Pools.](#)
- j. [Land Forces Standing Order \(LFSO\) 6102: Territorial Army and Army Cadet Force Clothing and Equipment Losses.](#)
- k. Local TLB Instructions as appropriate.

SUPERSEDED PUBLICATIONS

- 10. The following publications are superseded by this instruction:
 - a. JSP 886 Volume 4 Part 6: Losses. Version 3.4 dated 13 Dec 13.

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CHAPTER 2: POLICY

1. It is MOD Policy that all losses of materiel are investigated and reported in accordance with Director Finance guidance as described in this instruction. The categories of loss are to be reported to the appropriate management level.

RESPONSIBILITIES

DES JSC SCM

2. SCM SCO is responsible for acting as the MOD focal point for monitoring materiel loss performance standards and for ensuring the spread of best practice across Defence by:

- a. Facilitating the ongoing convergence of existing Defence Materiel Loss policy.
- b. Keeping policies relating to Materiel Loss up to date.
- c. Providing advice and assistance on interpretation of Materiel Loss policy.
- d. Promoting the analysis of performance trends.
- e. Collaborating with stakeholders to identify and implement remedial actions as necessary.
- f. Reviewing consolidated loss returns for trends and producing an end of year narrative on Materiel loss performance.

Front Line Commands (FLC)/Organisational HQ

3. FLCs/Organisational HQs are responsible for ensuring that materiel loss policy is complied with, in particular:

- a. Ensuring that the relevant Letters of Delegation (LOD) have been issued by the finance staffs to enable write-off action to be taken at the appropriate level.
- b. Ensuring that all units/depots/establishments submit quarterly loss reports in accordance with relevant Top Level Budget (TLB) finance instructions.
- c. Undertaking routine inspections and/or spot checks of loss registers.
- d. Analysing performance trends within area of responsibility and initiating remedial action where necessary.
- e. Acting as first point of contact for all enquiries relating to the reporting of materiel losses.

4. For losses reported in Operational Theatre this role will be fulfilled by deployed J4 staff.

Inventory Custodians

5. The custodian is to action, record and report losses in accordance with this instruction, in particular:

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- a. **Materiel Account Owner** – Is to ensure that any loss of or damage to materiel is reported promptly and that the appropriate action is taken to investigate the circumstances and prevent further loss.
- b. **Materiel Account Holder** – Is to ensure that all losses are reported and any resulting account adjustment is supported by a completed MOD Form 2260 (unless otherwise stated) authorised at the appropriate level.

TLB Loss Reporting Focal Points (LRFP)

6. Each TLB will have a LRFP within the finance team and contact details will be included in the appropriate TLB finance instructions. The LRFP is responsible for:
 - a. Acting as first point of contact for enquiries relating to the reporting of losses.
 - b. Consolidating quarterly loss returns from subordinate reporting points.
 - c. Highlighting trends or issues to the appropriate FLC/Organisational HQ for further investigation.
7. For losses reported in Operational Theatre, this role will be fulfilled by deployed J8 staff.

Capability Manager (CM)

8. The CM is to forward details to the relevant Inventory Owner of all losses of equipment and stores that have occurred when in direct contact with or as a consequence of enemy activity – Materiel Loss Code 9 (MLC9).

Inventory Owners

9. It is the responsibility of each inventory owner to ensure custodians of stock are aware of the loss reporting requirements contained in this instruction by including the requirement for compliance within Command Instructions, Internal Business Agreements (IBAs) and all other similar agreements that may exist between the inventory owner and custodian.
10. The inventory owner is also responsible for ensuring that they take the appropriate action for financially reporting, in accordance with DE&S Finance Instructions, the Net Additional Cost of Military Operations (NACMO) resulting from losses of equipment or stores reported by the CM as MLC9.

REPORTABLE LOSS CATEGORIES

11. Reportable losses are those for which numbers and values are included in the loss statement appended to the Annual Resource Account (ARAc) and reported to Parliament via the Centre TLB; they are subject to formal loss action as described elsewhere in this instruction. The reportable loss categories are described in JSP 472 Chapter 12 and are summarised in Figure 1.

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Figure 1: Reportable Loss Categories

| Reportable Loss Categories | Description |
|-----------------------------------|--|
| B1 | Fraud, Theft (proven and/or suspected), Malicious and Deliberate Damage (arson, sabotage etc.). Criminal Intent. |
| B2 | Other causes.(See Figure 2) |
| C | Fruitless Payment/Constructive Loss. |
| D | Claim Abandoned. |

Reportable Loss Categories B1 and B2

12. The majority of materiel losses will be categorised as either B1 or B2 and are to be investigated in accordance with guidance contained in this document and reported through the appropriate Organisational or Formation/Command HQ. To assist with the correct categorisation of losses consideration is to be given to whether the circumstances surrounding the loss event is due to culpable or non culpable cause.

- a. Culpable losses are due to deliberate acts or omissions, whether proven or suspected, such as fraud, theft, arson, sabotage or malicious damage. In cases where criminal activity is suspected the situation is to be reported to MOD, service or civilian police as appropriate.
- b. Non Culpable losses result from accidental damage or unavoidable and/or unforeseen circumstances. Additionally non-culpable losses can occur where the loss of materiel could be expected in the normal course of MOD business eg inventory or equipment damaged or destroyed by enemy fire or due to authorised tests or practice firings. In these instances the loss is to be reported as normal by units and Formation/Command HQ.

Reportable Loss Categories C and D

13. In certain circumstances the loss of materiel could result in a Constructive Loss, Fruitless Payment or Claim Abandoned as detailed in JSP 472 Chapter 12. The relevant LRFP will be able to advise units on the action to be taken.

MATERIEL LOSS CODES (MLC)

14. The Reportable Loss Categories described in Figure 1 have been further broken down in order to provide improved monitoring and trend analysis. The list of reportable loss categories and Materiel Loss Codes (MLC) to be used can be found at Figure 2.

15. The most relevant MLC is to be allocated on a case-by-case basis. These categories represent the minimum requirements for reporting purposes. Individual TLBs can further sub divide the categories to suit their own business needs as required.

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Figure 2: Materiel Loss Codes

| LOSS CATEGORY | MATERIEL LOSS CODE (MLC) | DESCRIPTION |
|---------------|--------------------------|--|
| B1 | MLC 1 | Fraud and Theft (proven and/or suspected) |
| | MLC 2 | Malicious and Deliberate Damage (arson, sabotage etc.) |
| B2 | MLC 3 | Negligence. |
| | MLC 4 | Unexplained Cause. See Note 1. |
| | MLC 5 | Deterioration in Store (incorrect/inadequate rotation, over-provisioning, excessive holdings of shelf life items etc.) |
| | MLC 6 | Loss in Transit greater than £250.00. See Note 2. |
| | MLC 7 | Accidental Damage (weather, flood, fire (not arson) etc. including Road Traffic Incidents (RTI) where MOD not at fault). See Note 3. |
| | MLC 8 | Trivial Losses equal to or less than £250.00 (including loss in transit and losses in store). Ex Contractor less than £50.00. |
| | MLC 9 | A loss which has occurred when in direct contact with or as a consequence of enemy activity. |
| | MLC 10 | Losses arising from authorised tests, experiments or trials and other legitimate attrition events not attributable to MLC9 including stock written down from serviceable to repairable as a result of stores survey. |
| C | N / A | Fruitless Payment/Constructive Loss |
| D | N / A | Claim Abandoned |

Notes:

1. Where possible, losses are to be identified to a specific cause; MLC 4 is only be used when all other options have been exhausted.
2. It is recognised that there may be instances, particularly for single item deliveries by a 3rd Party Logistic Provider (3PL) where Proof of Delivery (POD) can be established before being brought to charge. An investigation needs to establish whether this is a genuine Transit Discrepancy or a failing in MOD processes post delivery and attribute the correct MLC accordingly.
3. MLC 7 should only be used for an RTI where the reason for incident is due to a culpable nature.

16. It is accepted that there will be attrition of materiel incurred by normal MOD activity (including operations) and the specific design and use of individual equipments/platforms during the necessary fulfilment of their role. These include:

- a. Losses due to, or in direct support of operations against the enemy.
- b. Authorised tests, experiments or trials.
- c. Non-combat search & rescue or similar: eg Assistance to Civil Authorities.

17. From a financial perspective, under the definitions within JSP 472, these are not classified as reportable losses however, to ensure that the necessary procedures are taken to provide and fund replacements, such losses are required to be reported under these regulations. Materiel Losses that fall into this category are to be investigated and approved in the normal manner and allocated MLC 9 or 10 as appropriate. However, if the investigation clearly indicates that the loss or damage could have been prevented or was due to culpable causes then MLC 1-8 should be used as appropriate.

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CHAPTER 3: PROCESS

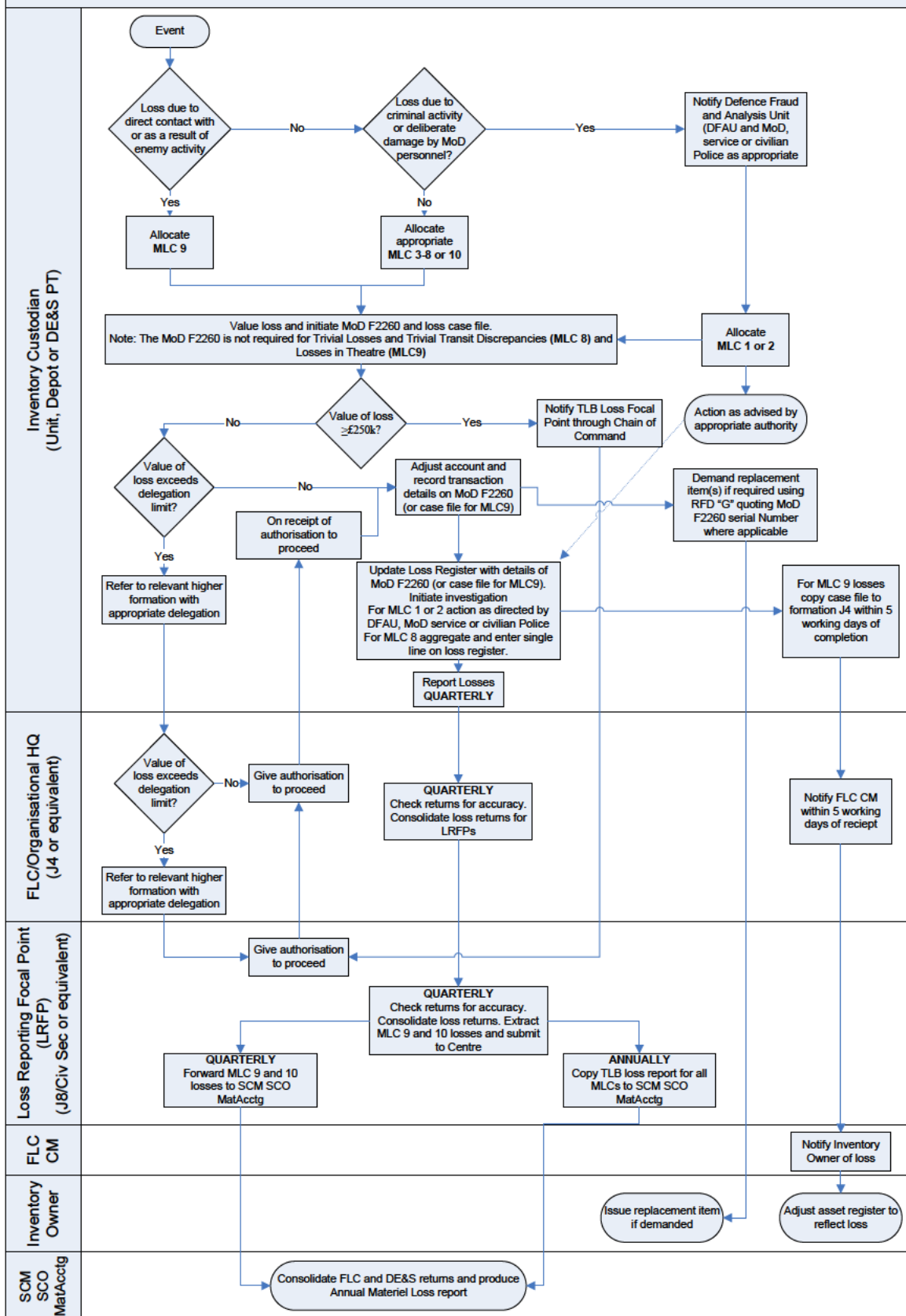
1. For all materiel losses, the process map at Figure 3 is a guide that is intended to ensure that loss information is reported accurately and expeditiously. This will improve the accuracy of balance sheets and asset registers and provide the Project Teams sufficient information to assess the impact of the loss on capability and take action accordingly.
2. Actions to be taken on each materiel loss case are summarised below, noting these actions are not necessarily sequential and many will be undertaken concurrently:
 - a. Identify the items involved and conduct a preliminary investigation.
 - b. Raise MOD Form 2260. Separate Capital (Repairable spare or equipment, also known as "P" Class) items from consumables and raise an individual MOD Form 2260 for each type. Register the loss by allocating the next serial number from the Materiel Loss Register. Note that there is no requirement to raise a MOD Form 2260 for MLC 8 Losses, these are to be aggregated quarterly and entered as a single line entry in the Materiel Loss Register. MLC 9 losses do not require a MOD Form 2260 to be raised, however a full case file is to still be raised, a copy of the file is to be forwarded up the Chain of Command in accordance with the processes outlined in this document.
 - c. Where loss is due to suspected or proven theft/fraud notify the Defence Irregularity Reporting Cell (DIRC) and MOD, Service or Civilian Police as appropriate via Chain of Command.
 - d. Notify the MOD or Service Police where the loss involves Attractive to Criminal or Terrorist Organisations (ACTO) items.
 - e. Value the loss. Losses valued at £300k or above must have an advance notification raised to the Defence Business Services Organisation (DBSO) and The Asset Management Enabling Team (AMET) and the TLB losses focal point. Loss values should include any disposal or replacement costs, as well as any receipts.
 - f. Adjust the materiel account using a Certified Issue Voucher (CIV) giving brief details of the circumstances of the loss and details of the preliminary investigation. This may be delayed if there is likelihood that the items will be recovered during the loss investigation.
 - g. If required raise a replacement demand using Reason for Demand (RFD) code G annotating the demand with the MOD Form 2260 or case file serial number.
 - h. Investigate fully the circumstances of the loss to establish the cause and initiate remedial action.
 - i. If appropriate, forward the MOD Form 2260 to the Commanding Officer for the assessment of reimbursement charges against the individual(s) responsible for the loss. (see Chapter 4 Paragraph 21)
 - j. Ensure that the Financial Write-off Certificate, MOD Form 2260 Part D, is completed by the Officer holding the correct level of delegated powers of Write-off.
 - k. Categorise the loss and allocate the appropriate MLC in accordance with Figure 2 and record actions/statements taken in a case file.

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- I. Record full details of the loss in the Materiel Loss Register for inclusion in the ARAc.
- m. Notify the appropriate authority when deduction from an individual's pay is to be made.

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Figure 3: Process Map for Reporting Materiel Losses



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CHAPTER 4: PROCEDURES

INITIATION AND REGISTRATION

1. MOD Form 2260 replaces all former single service loss documents and is to be raised for all losses. It is to be annotated with the next sequential number from the Materiel Loss Register and is to be kept as the top most document in the case file. Details of all items lost or damaged are to be recorded by NSN and quantity.

Valuation of Loss

2. The value of the loss is the financial value which an item is deemed to possess at the time the loss occurred (in respect of repairable damage to an item due to culpable cause, the value of loss is the cost of repair). Values for Write Off are to be determined, in accordance with the instructions given in this chapter with VAT being added where appropriate.

3. Valuations are detailed in JSP 472 Chapter 12. Additionally, the following is to be applied when valuing a loss case:

- a. All prices, except those involving food and fuel, are to be VAT inclusive.
- b. In the cases of loss involving items of stock, including Articles in Use (AinU), the Basic Materiel Price (BMP) must be identified for all items concerned. Exceptionally, an estimated price is to be used when a BMP or catalogue price is unobtainable. Notional prices or nominal values are not to be used.
- c. The value of a stock loss is to be assessed on the basis of BMP, modified as appropriate to reflect materiel condition multiplied by the quantity, plus VAT where applicable.
- d. Loss valuations should include any disposal or replacement costs, as well as any receipts.

Modification to BMP

4. The following adjustments are to be applied to the BMP to determine the Value of Loss:

- a. New and serviceable items held in store. Nil reduction.
- b. Serviceable stores in use, not covered by paragraph 5c. Apply 25% reduction.
- c. Unserviceable stores and part worn clothing and textiles not covered in paragraphs 25 and 26 below (including items out of shelf life) apply 50% reduction (except Adventurous Training equipment where the full BMP or like for like commercial cost of replacement should be used).
- d. Stores categorised/conditioned as scrap or surplus to Service requirements prior to discovery of the loss. Apply 90% reduction (or disposal value if known).
- e. Items produced for sale. Use the current selling price.

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- f. Where it is not possible to determine the materiel condition at the time of the loss, serviceable prices are to be used. Nil reduction.

Valuations Requiring Special Action

5. The following items require special valuation action:
- a. **Precious Metals.** The value of loss of precious metals is to be assessed as follows. Loose quantities - weight multiplied by the last known value, no reduction to reflect the condition at the time the loss occurred.
 - b. **Food.** The full commodity price is to be applied (excludes Operational Ration Packs (ORP)).
 - c. **Vehicles – Green Fleet.** The value of loss of vehicles is to be assessed as follows (loss or damage to White Fleet vehicles is covered at paragraph 29):
 - (1) Damaged, Repairable – assessed as the cost of repair.
 - (2) Damaged, Total Loss including items categorised as Beyond Economic Repair (BER):
 - (a) Net Book Value (NBV) as shown on the DE&S Asset Register. The latest “MERLIN Asset Balance Detail Report” can be obtained from the DE&S AMET (Asset Management Enabling Team) on 9679 83792.
 - (b) If not on the Asset Register and therefore likely to be shown on MERLIN with a BMP of <£25,000: BMP minus 25%.
 - d. **Defence Accommodation Stores (DAS).** The value of loss is to be assessed in accordance with JSP 384: Management of Defence Accommodation Stores (DAS).

INVESTIGATION

6. Cases of apparent loss are to be investigated promptly and, if the loss is confirmed, action is to begin without delay (but see paragraph 10a below).
7. Loss may be mitigated by promptness and thoroughness of the remedies set in motion and by early reporting to the appropriate higher authority.
8. Where a loss is due to the culpable action or neglect of service or civilian personnel, the case is to be referred immediately to the appropriate authority for consideration of disciplinary action.
9. Mandatory investigations, Service Inquiries or disciplinary investigations are to be convened expeditiously and findings notified as soon as possible to the officer(s) responsible for approving disciplinary action, write off etc.

Criminal Activity

10. In cases where criminal activity is suspected the following action must be taken:
- a. All cases of actual or suspected fraud or theft must be reported to the DIRC directly. In addition where preliminary investigations suggest the possibility of criminal activity or involve items which may be considered ACTO, the situation is to

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be reported to the MOD or Service Police. No further investigation of the specific loss is to be carried out by anyone other than as directed by the MOD or Service Police.

- b. While the foregoing does not preclude consideration and implementation of measures to prevent a recurrence, care is to be taken to avoid any action which might prejudice possible legal or disciplinary proceedings.
- c. If MOD or Service Police investigations are precluded by reason of ship sailing/unit moving, such investigation into the circumstances of the loss is to be carried out where possible on board/site. The matter is to be reported to the MOD or Service Police/DIRC at the earliest opportunity.
- d. When deciding whether prosecution should be undertaken, due regard is to be given to the advice of MOD, Service or civilian Police and legal advisers as appropriate. If there is sufficient evidence to support a prosecution but a prosecution is not undertaken, the case file is to record the reasons for the decision and details of the deciding authority.
- e. In the case of theft or fraud an attempt to recover by civil action should be considered on the advice of MOD, Service or civilian Police and legal advisers as appropriate. If civil action is taken but a full recovery is not made, the reasons must be recorded on the case file. Fines do not reduce the value of the loss.

Non-Criminal Activity

11. Where preliminary investigations show no indication of criminal activity, investigations are to be initiated to determine the following, as appropriate:

- a. That the physical security afforded to the materiel was sufficient at the time of the loss.
- b. The name of the custodian where known.
- c. If the loss resulted from any defect in, or misunderstanding of, existing procedures or control systems and that stock control methods were appropriate.
- d. Claim action was initiated within the permitted time limits for loss in transit and if not, the circumstances under which claim action was delayed or if the claim was not admitted by the carrier.
- e. Health and safety and security instructions were observed and/or, for example, reasonable weather protection was afforded to the materiel.
- f. Whether the circumstances warrant proceedings being taken under Queens Regulations and/or the Manual of Service Law or the Civil Service Disciplinary process.
- g. Whether the loss forms part of a larger loss or of a group of losses arising from the same cause.
- h. The gross value of the loss, the value of any recovery or expected recovery, and the net value of the loss. If appropriate, the reason for full recovery not being taken should be stated.

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- i. Whether the loss reveals weaknesses in design, packaging, handling and stowage characteristics or safety of the items, which should be reported by the owning Project Team to the appropriate design authority for rectification.
- j. Any other relevant point in explanation of the loss.
- k. Action taken to prevent a recurrence.

General Investigative Procedure

12. The following points should be considered in both instances of criminal and non-criminal activity:

- a. Should the circumstances of the loss be notified to other MOD Departments or Agencies to enable them to take measures to prevent similar occurrence.
- b. The effect of the loss on provisioning, financial expenditure and financial estimates.

Repairable Damage

13. Where caused maliciously or due to culpable negligence, the value of the loss is to be the cost of making good the damage, including any significant labour costs. However, action is not to be unduly delayed pending receipts of actual costs; instead, a reasonable estimate obtained from an appropriate specialist source is to be used.

14. Where the damage is due to non-culpable reasons the damage is to be repaired as normal. No write off action is required. (eg A road traffic incident (RTI) where no third party was at fault and the driver is deemed not to blame).

15. There is no requirement to raise a loss case to record stock written-down from serviceable to repairable as a result of stores survey.

Neglect and Misuse

16. When materiel is found to be damaged by what appears to be neglect or misuse the Materiel Account owner is responsible for tasking an appropriate technical authority to determine the cause of the damage and the cost to rectify it. If the damage is found during maintenance or repair the repair agency is to inform the Materiel Account holder of the possible neglect or misuse.

17. **Third Party Interest.** The MOD's Claim Handlers must be informed where third party or non-MOD interests are involved.

18. **Rectification Costs.** Rectification costs are to be carefully and accurately assessed. In the case of accidents involving civilian interests, should the final repair, be significantly different from the original estimate, the final cost is to be notified to the MOD Claims Handler to enable full recovery to be made. For Land Environment incidents the guidance in AESP 0200-A-061-013 is to be followed.

19. **Commencement of Repairs.** Where the incident can be considered as a Road Traffic Accident or an Industrial Accident the procedures in [JSP 800 Volume 5 Part 3 Chapter 6: Vehicle Accident and Incident Reporting](#) are to be followed.

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20. **Commencement of Repairs.** Where the incident can be considered as a Road Traffic Accident or an Industrial Accident the procedures in [JSP 800 Volume 5 Part 3 Chapter 6: Vehicle Accident and Incident Reporting](#) are to be followed.

Stocktaking Discrepancies

21. Discrepancies in stock holdings are to be dealt with in accordance with [JSP 886 Volume 4 Part 2: Defence Stocktaking](#) unless it was found during investigation to be attributable to theft, fraud, criminal activity or culpable negligence.

22. Discrepancies revealed during 1st Line Army Board of Officers (BOO) are to continue to be dealt with as losses until the implementation of MJDI.

Trivial Discrepancies

23. Trivial Discrepancies (including Trivial Transit Discrepancies (TTDs), Ex-Contract transactions and Inter Depot transactions) are to be dealt with in accordance with [JSP 886 Volume 3 Part 15](#) Discrepancies. An aggregated line for each¹ of Trivial Losses and TTDs registered in the quarterly period must be included on the Materiel Loss Register under MLC 8.

Trivial Losses

24. A formal investigation is not required for losses where the value does not exceed £250 (excluding VAT) providing they meet the following criteria:

- a. Are not considered to be due to suspected fraud, theft, malicious and deliberate damage or negligence.
- b. Do not involve Attractive items or warrant special reporting action as detailed at Annex A.
- c. Arise from a single incident.

25. All Trivial Losses and Trivial Transit Discrepancies (TTDs) are to be attributed to MLC 8 and are to be aggregated quarterly and entered in the loss register. Note a separate entry is required for trivial losses and TTDs. There is no requirement to raise a MOD Form 2260 for MLC 8.

Losses in Theatre

26. Any losses that occur due to direct contact with or as a consequence of enemy activity are to be investigated fully as detailed in this document, with the exception that there is no requirement to raise a MOD Form 2260 for MLC9.

Group of Cases

27. When a number of losses arise from a single event or irregularity, they are to be aggregated and dealt with as a single case. The aggregated total sum involved, including any VAT and less any recoveries, will determine the level of authority that has the appropriate delegated powers to authorise the write-off.

¹ Entries must be separate for Trivial Losses and Trivial Transit Discrepancies as they are categorised differently by the TLB's Fin Dept.

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Major Losses and Special Reporting Actions

28. A table detailing circumstances where a loss would be deemed to be a 'Major Loss' or those where special reporting actions apply can be found at Annex A. Full investigation is required for all losses that fall into any of the categories listed regardless of value.

Losses or Damage of Materiel by MOD Personnel

29. When materiel on personal charge (i.e. in the safekeeping of an individual or individuals, either in store or on personal signature) is lost or damaged and it is decided, after investigation, that the loss was the result of an act or omission by an individual(s), suitable reimbursement is to be considered. Separate regulation exists between Service Personnel and Civil Servants (Including RFA personnel):

- a. **Service Personnel.** The policy, procedures and limitations to be followed when seeking reimbursement from Service personnel are contained in JSP 830 Manual of Service Law, Chapter 20. Additional guidance is given at Annex B.
- b. **MOD Civil Servants.** MOD civilians are bound by the Civil Service Code and MOD standards of conduct and behaviour. Any losses of materiel that can be directly attributed to MOD civilians can result in formal disciplinary action. The policy, rules and guidance relating to disciplinary action against MOD civilians can be accessed through the [People Services Portal](#).
- c. **Contractors.** Materiel lost by contractors whilst in use as Government Furnished Equipment (GFE) is to be treated in accordance with JSP 886 Volume 4 Part 4: Government Furnished Equipment.

30. Where the loss or damage involves more than one individual, a nominal roll with the details of each person is to be attached to the case file.

31. Supplementary instructions are given at Annex C.

Loss or Damage to Clothing and Service Kit held on Personal Loan Records

32. **Attributable to Service Reasons.** The procedures of assessing the basis for and the amount of compensation paid to personnel for loss or damage to clothing, Service kit and equipment, personal and family effects in circumstances arising from 'exigencies of the Service', is given in JSP 752 Chapter 10 Section 4. JPA Form F014 is to be raised by the officer responsible for the individual(s) who have suffered loss or damage to kit. Replacements are to be made from any compensation paid using the procedures in JSP 886 Volume 6 Part 5: Clothing.

33. **Not Attributable to Service Reasons.** The procedure for the replacement of clothing and service kit lost or damaged in circumstances not arising from 'exigencies of the Service' are contained in JSP 886 Volume 6 Part 5: Clothing. For Territorial Army and Cadets see Land Forces Standing Order 6102.

Loss or Damage to Stores held at Contractor Works

34. Such losses are to be dealt with in accordance with JSP 886 Volume 3 Part 2: Contractor Logistics Support or JSP 886 Volume 4 Part 4: Government Furnished Equipment. Where a valid claim against a contractor is not pursued or is unsuccessful it

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must be recorded on the Materiel Loss Register as a Category D Claim waived or abandoned.

Loss or Damage to Stores on Loan from Army HQ Loan Pools

35. The procedures for dealing with losses or damage to stores on Loan from Land Forces Loan Pools are contained in LFSO 4407: Short-Term Loans of Clothing, General Stores and Other Equipments from Army HQ Pools.

Leased Equipment

36. Equipment leased by the MOD or provided under PFI arrangements; for example White Fleet, Orange Fleet, C Vehicles and HET; are not treated as MOD owned assets and as such are not subject to write off procedures. However the following specific financial accounting actions need to be followed:

- a. Damage to, or destruction of leased equipment due to culpable causes (eg road traffic incidents due to careless/reckless driving and refuelling with the wrong fuel) are to be classed as fruitless payments, Category C loss and reported in accordance with [JSP472](#), Chapter 12.
- b. Damage to, or destruction of leased equipment due to non-culpable causes are not to be treated as losses and any costs are to be absorbed by the unit as normal business. Supporting evidence relating to this expenditure should be retained for audit.
- c. MOD equipment that has been damaged or destroyed due to it being in the vehicle is to be recorded against MLC 7.

FINANCIAL WRITE-OFF

37. Normally, a materiel loss is written off by the Unit/custodian holding the item on account, either permanently or on loan, at the time the loss occurs. However, where the loss can be attributed to the actions of the inventory owner, responsibility for the investigation and taking loss action lies within the PT, regardless of where the item is held at the time. For a loss in transit where there is doubt about where the loss occurred, the consignor is to take write off action, annotating the last known transshipment point on the Loss File and Materiel Loss Register. If the consignor Unit has closed, the Unit nominated to be the accounting custodian will take write off action.

38. Financial write-off is not necessary when a reimbursement charge is equal to the value of the loss. Charges initiated and subsequently not recovered are to be treated as a Category D Claim waived or abandoned in accordance with [JSP 472](#) Chapter 12.

Delegation of Financial Approval Limits

39. Financial approval to authorise write off is delegated through the Chain of Command on a personal basis.

40. Officers who hold formal letters of delegation may in turn sub delegate by issuing individually named, formal letters to their subordinate Officers. Only those Officers that hold such delegations may authorise a loss for write-off. Letters of delegation are not transferable to any other position or assignment. Copies of delegations must be held locally in support of write-offs authorised.

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41. An officer is not to write off a loss in which he/she has been personally involved (in circumstances other than as a superior line manager), nor where consideration is being given to the possibility of line management responsibility, collusion or negligence.

42. Delegated financial limits are based on the assessed value of the loss, including VAT where appropriate, less any recoveries made.

43. Where the value is above locally delegated powers the case must be referred to the relevant LRFP/Command HQ Focal Point for preparation and presentation at the appropriate level.

Losses within Locally Delegated Signing Limits

44. Case files for losses that fall within locally delegated authority are to be retained locally unless Chain of Command Instructions require otherwise. Details of loss cases are also to be included in the Materiel Loss Register.

45. SCM SCO MA and TLB LRFPs have the authority to call forward full case histories for any case authorised locally.

Losses Exceeding Locally Delegated Signing Limits

46. A copy of the loss file is to be sent via the chain of command to the relevant higher formation with the appropriate level of delegation. The original certified copy of the MOD Form 2260 and all supporting documentation is to be included in the file.

47. A full and comprehensive narrative must accompany the loss case to support the proposed loss action. This is to cover, as a minimum:

- a. Introduction.
- b. Circumstances of the loss.
- c. Investigations.
- d. Actions taken to reduce the net value of the loss including reimbursement where MOD personnel are deemed culpable.
- e. Procedural changes proposed/introduced as a result of the loss, including evidence of the actions taken.
- f. Disciplinary action taken/proposed.
- g. Any other information considered relevant.

48. Once higher formation action is complete the loss case file is to be returned to the originator who is to annotate the Materiel Loss Register accordingly and file, replacing the originators copy.

Losses with a Value of or Exceeding £300k

49. All losses valued at or above £300k will require individual notation in the ARAc. All such cases are to be reported in accordance with JSP 472. The loss case must contain a completed copy of the checklist at JSP 472 Chapter 12, together with all the information

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listed therein, including a draft press brief. LRFPs/Command HQ Focal Points are to be consulted for clarification of requirements if in doubt.

50. As soon as possible following the above action, full details of the circumstances of the loss and the investigations carried out are to be reported to the relevant TLB via the LRFP/Command HQ Focal Point for concurrence prior to write off. After write-off action has been taken, these cases are referred to Corporate Financial Accounting Team (CFAT) and to the National Audit Office (NAO) for scrutiny and separate annotation in the ARAc.

51. If it appears likely the Major Loss case will not be finalised before the end of the current financial year, the present position is to be reported to the relevant TLB via the route detailed at Paragraph 46 above.

LOSS RECORDING AND REPORTING

Loss File, Loss Case Composition and Submission

52. A registered file (MOD Form 329D) is to be created for each loss case and should include all relevant documents in chronological order relating to the loss. All case files should include:

- a. A full explanation of circumstances surrounding the loss.
- b. Appropriate supporting papers, eg NSI Reports etc.
- c. Details of implementation and subsequent monitoring of measures to prevent a recurrence.
- d. Where there is negligence, evidence that appropriate disciplinary or legal action has been/is being taken.
- e. Two copies of the MOD Form 2260 (where applicable).
- f. Letter of delegation showing that the authorising officer has authority to write-off, or if not within delegated authority and submitted to higher authority showing it outside their delegated authority.
- g. A schedule of key events detailing key dates in progressing the case.

53. Case files submitted to higher authority should include a letter of application for write-off authority including covering brief.

Materiel Loss Register

54. Materiel Loss Registers are to be maintained for each separate UIN (PT/BLB or Unit) to record all losses (except Army HQ Units operating "CA" stock holding accounts who are only required to maintain a single Materiel Loss Register held by the Materiel Account Holder). Materiel Loss Registers can be held in either manual or electronic format. Each TLB issues separate financial instructions regarding the format for loss returns however, the Materiel Loss Register must contain the mandatory fields shown at Figure 4.

55. When a loss is confirmed by preliminary investigation, the known details are to be recorded in the Materiel Loss Register immediately with subsequent detail being added as the loss is progressed. In order to avoid duplicate reporting, inventory owners are not to

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include items where an inventory custodian has already taken loss action, including registration and authorisation.

56. A Loss Category and, where appropriate, a Materiel Loss Code (MLC) must be allocated for each loss case. It is essential the Loss Category and MLC be carefully chosen, as they will be important to subsequent trend analysis.

Materiel Loss Reporting

57. On a quarterly basis (ie at AP3, AP6, AP9 and AP12), copies of the completed cumulative registers must be submitted through Chain of Command to LRFPs in accordance with each TLB financial instructions. A statement on the cause of the loss or damage and details of any action to prevent recurrence MUST BE included for each loss case where the gross value of loss exceeds £10,000. This information is also essential for the purpose of performance monitoring. The completed register should be submitted within 10 working days of the end of each quarter. Nil returns are required.

58. All losses which are still under investigation as at 31 March each year are to be included in the Materiel Loss Register for that period. There is no requirement to include such losses in any subsequent loss reporting period.

Materiel Recovered After Loss Action Approved within Current Financial Year

59. Details of the recovery are to be included in the loss file. The authorisation date is to be removed from the Materiel Loss Register and the entry annotated to the effect that a recovery had been made to ensure that it is not included in the end of year consolidated loss return.

Figure 4: Mandatory Loss Register Fields

| Serial | Mandatory Loss Register Field | Guidance |
|---------------|---------------------------------------|--|
| a. | Loss Reference | Each entry in the Materiel Loss Register is to be allocated a unique serial number, linked to the relevant loss file. |
| b. | Date Loss Occurred. | |
| c. | Loss Category | Select appropriate Loss Category. |
| d. | Materiel Loss Code (MLC) | Select most appropriate MLC. |
| e. | UIN. | |
| f. | BLB Code | To be completed by TLB Loss Reporting Focal Point. |
| g. | Number of Line Items | Total number of unique NSNs included in the loss case. |
| h. | Inventory or Domestic Management Code | When multiple line items are included in one loss case the following applies: a. If 10 items or less, each item should be listed on the Materiel Loss Register against the single loss reference. b. If more than 10 items, field (g), (h) and (i) should show the relevant details for the first item involved in the loss only. All other items should be listed on a separate sheet appended to the register, clearly aligned to the relevant loss reference. |
| i. | NATO Stock Number (NSN). | |
| j. | Short Item Description. | |
| k. | Acct Class | Materiel Accounting Classification Code – P, L or C. |
| l. | Brief Explanation of Loss. | |
| m. | Gross Value of Loss | All values are VAT inclusive where VAT applies. |
| n. | Recovery Value. | |
| o. | Net Value of Loss | Gross value, less any value recovered. |
| p. | Date Loss was Written Off / Approved. | |

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| | | |
|----|---|----------------------------|
| q. | Loss details reported to Defence Fraud Analysis Unit (DFAU) | Yes or No, as appropriate. |
|----|---|----------------------------|

Materiel Recovered in a Financial Year Subsequent to that in which the Loss was Authorised and Reported

60. Details of the recovery are to be included in the Loss File and a suitable comment added against the original register entry. However, there is no means of offsetting recoveries against current year losses and they are not to be included as such in Materiel Loss Registers.

ADJUSTMENT OF THE STOCK RECORD

61. Proof that the stock or inventory account has been adjusted to reflect the loss or recovery must be held within the case file. Adjustment is to be made by interactive process or Direct Data Entry (DDE).

62. All issue, receipt and return vouchers connected with loss action are to be cross-referenced to the appropriate loss case and a copy of each voucher is to be placed on the file.

AUDIT REQUIREMENTS

63. An Officer, SNCO or MOD Civil Servant (Band E1 or above) is to be nominated by name and by post title as the Nominated Officer to maintain the Materiel Loss Register. An Officer or MOD Civil Servant (Band D or above) is also to be appointed by name and by post title as the Supervising Officer to oversee the maintenance of the Materiel Loss Register.

- a. The incoming 'Nominated Officer' is to inspect the Materiel Loss Register on change of appointment.
- b. The Supervising Officer is to:
 - (1) Arrange for the maintenance of the Materiel Loss Register.
 - (2) Inspect the register at least once every 3 months commencing on 1st April each year.
 - (3) Ensure every effort is made to resolve register entries, which remain incomplete for audit purposes.

64. A record of inspections is to be retained with the Materiel Loss Register, including the date of inspection, the line entries covered by the inspection and the signature of the Supervising Officer.

65. Registers and all documentation relating to a loss case are to be retained locally according to the periods and limits laid down at Figure 3 of [JSP886 Volume 4 Part 1](#).

66. Amendments to or deletion of manual register entries are to be made in red ink. The use of correction fluid is not permissible. The Nominated Officer is to initial any alterations. Electronic registers, held on a departmental shared drive, should have write access limited to officers authorised by the Supervising Officer.

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ANNEX A: TABULATION DETAILING MAJOR LOSSES REQUIRING FULL INVESTIGATION AND THOSE WHERE SPECIAL REPORTING ACTIONS ALSO APPLY

(Introduced in Chapter 4, Paragraph 21)

Figure 5: Tabulation Detailing Major Losses Requiring Full Investigation or Special Reporting Actions

| DESCRIPTION | Report to Head of TLB via Chain of Command and LFP | Report to CFAT via Chain of Command, LFRP and Head of TLB | Defence Irregularity Reporting Cell (DIRC) | MOD Police (Service/ Civilian) | JSP 440 | NBCD Officer (JSP 392) | HM Revenue and Customs |
|--|--|---|--|--------------------------------|---------|------------------------|------------------------|
| Exceed locally delegated signing powers (Equal to or Over £300k) | X | | | | | | |
| Novel or Contentious / those which may receive publicity / cases which raise important questions of principle or where doubts are raised about the effectiveness of a system; or which contain lessons which are of value outside the area which they arise. | | X | | | | | |
| Involve criminal activity (known or suspected) | X | | X | X | | | |
| Are as a result of terrorist activity (known or suspected) | X | | | X | | | |
| Involve the following types of materiel: | | | | | | | |
| Security classified (CONFIDENTIAL or above) | | | | | X | | |
| Attractive to Criminal & Terrorist Organisations (ACTO) | | | | | X | | |
| Dutiable (Attracts duty from HM Revenue & Customs) | | | | | | | X |
| Radioactive | | | | | | X | |
| Small Arms and Associated Ammunition | | | | | X | | |
| Explosives. Controlled Drugs. Accountable Drugs. | X | | | | X | | |

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**ANNEX B: ARMED FORCES ACT 2006 – INDIVIDUAL FINANCIAL REIMBURSEMENT
– GUIDANCE**

(Introduced at Chapter 4, Paragraph 22a)

1. Implementation of the [Armed Forces Act 2006](#) (AFA 06) on 31 October 09 changed the way in which individual financial reimbursement for materiel loss or damage is investigated and administered. This section provides guidance to Logistic staff in relation to the losses procedure and AFA06. Officers seeking guidance in their role as Legal Advisor should refer to [JSP 830: Manual of Service Law, Volume 1, Chapter 20](#).
2. The effect of AFA06 is that an individual may only be required to provide financial reimbursement for materiel lost or damaged in circumstances amounting to an offence under Section 24 of the Act (damage to or loss of public or service property). For this purpose the individual must either face disciplinary action and reimburse the crown by means of a Service Compensation Order as part of the sentence awarded summarily by the Commanding Officer (CO), or by Court Martial, or be subjected to recovery action for deduction of pay using MOD Form 2260 in accordance with the Armed Forces (Forfeitures and Deductions) Regulations 2009. Although the MOD Form 2260 is to be raised for the reporting of losses irrespective of which re-imbursement method is used, MOD Form 2260 recovery action cannot be taken in conjunction with or following disciplinary action in relation to that loss or damage. JSP 830 Volume 1 Chapter 20 Paragraph 18-22 provides overarching direction and guidance when seeking individual financial reimbursement for materiel loss or damage.
3. The investigation into the loss should not only aim to establish the circumstances of the loss or damage but also whether an offence under AFA06 Section 24 has, or may have, been committed. This need not be a Service Police investigation, and may be conducted by the appropriate Investigating Officer (Line Manager / Departmental or Divisional Officer) of the person suspected of being responsible for the loss, if known.
4. For the purpose of the Act, the 'authorised officer' is the CO² of the individual from whom the deduction might be made. Only an individual's CO may authorise a deduction from pay and then only when they are satisfied that the conduct of the person that resulted in the loss or damage amounted to an offence under AFA06 Section 24. The CO should consider the circumstances of the loss or damage, and the individual's financial circumstances, before authorising a deduction from pay.
5. Individuals should be invited to sign MOD Form 2260, and may admit responsibility for losses. However, such an admission does not in itself constitute an admission of conduct amounting to an offence under the AFA06 Section 24. The CO should consider all the evidence and decide whether the circumstances of the loss or damage constitute an offence under Section 24. In addition, the relevant person should be invited to make representations about the loss or damage, and personal financial circumstances, in order to assist the CO when making a decision whether to authorise deduction from pay, and, if so, the appropriate sum.

² The meaning of Commanding Officer is defined at JSP830: Manual of Service Law, Volume 1 Chapter 2.

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ANNEX C: SUPPLEMENTARY MATERIEL LOSS INSTRUCTIONS FOR FLC USERS

(Introduced at Chapter 4 Paragraph 23)

Introduction

1. This Annex supplements the instructions contained in Chapters 3 and 4 and covers arrangements specific to FLC users. It provides processes and procedures to ensure that all FLC Units comply with Losses policy and is cognisant of the policy and guidance contained in JSP 830: Manual of Service Law in respect of deductions from pay.

Process

2. The Process for the preparation, recording, monitoring and reporting of losses is achieved using the following documentation:

a. **MOD Form 2260: Report of Materiel Loss.** A master document with drop down menus and a continuation sheet is to be completed [online](#) and printed. MOD Form 2260 is designed to:

- (1) Initiate the losses procedure.
- (2) Identify and value the materiel lost or damaged.
- (3) Record the result of the investigation into the loss or damage.
- (4) Identify an individual or individuals responsible for the loss or damage.
- (5) Assessment and authorisation of any deduction from pay.
- (6) Record the approval for financial write off (where applicable).
- (7) Remove the items from charge.

b. **Materiel Loss Register and Reporting.** Each Unit/organisation with materiel on charge is to maintain a Materiel Loss Register as described in Chapter 4 Paragraph 54.

Procedure

3. The following procedure, summarised in Figure 6 is to be followed:

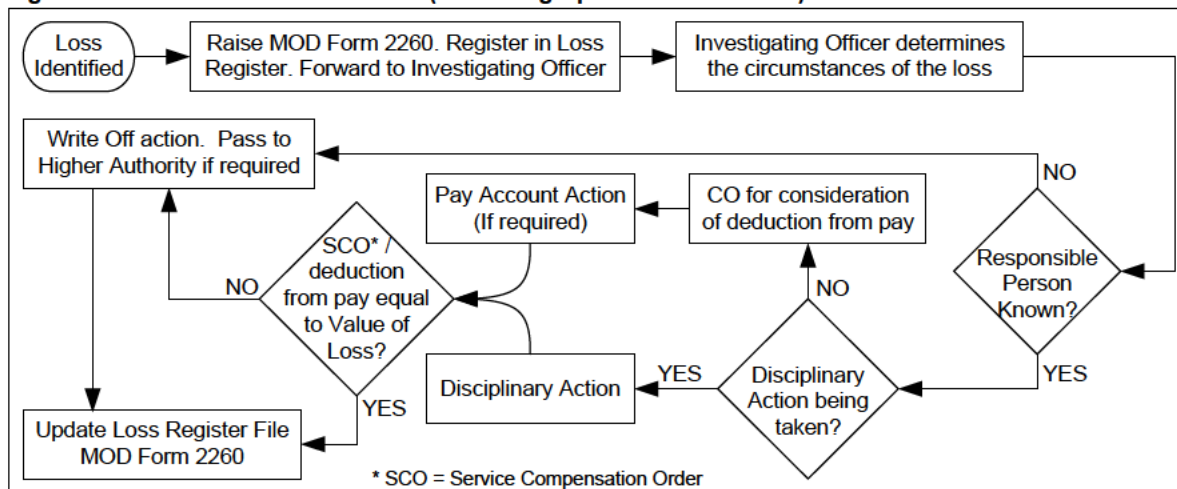
a. When a loss is identified, 2 copies of MOD Form 2260 are to be prepared and printed. The next sequential number from the Unit's Materiel Loss Register is to be used for registration and monitoring purposes. Every item subject to loss investigation is to be entered.

b. The MOD Form 2260 is to be forwarded to the relevant Investigating Officer (Line Manager/Departmental or Divisional Officer) who is to investigate the loss in accordance with Chapter 4 Paragraphs 6-19.

c. On completion of the investigation and where no individual is found responsible for the loss or damage, the MOD Form 2260 is to be forwarded directly to the Officer holding the necessary level of financial write off delegation.

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Figure 6: Outline Losses Procedure (see Paragraph 3 for comments)



d. Where an individual(s) has been named on the MOD Form 2260 as being responsible for the loss, the Investigating Officer is to make specific comment on whether the actions of that individual(s) may have amounted to an offence under Section 24 of the Armed Forces Act 2006 (AFA06).

e. Where disciplinary action is being taken in relation to a materiel loss or damage, the losses procedure is to be postponed until completion of such action. Once disciplinary action is complete (including any appeal), the MOD Form 2260 is to be forwarded directly to the Officer holding the necessary level of financial write off delegation. Investigating Officers must include details of any Service Compensation Orders (SCO) awarded under disciplinary proceedings relating to the loss or damage.

f. On completion of the investigation and where disciplinary action has not taken place, the MOD Form 2260 is to be forwarded to the individual's CO for consideration of financial reimbursement. COs should only consider awarding a deduction from pay where they are satisfied that the conduct of the responsible person amounted to an offence under section 24 of the AFA06. See JSP 830: Manual of Service Law, Chapter 20 Paragraph 18 – 20.

g. MOD Form 2260 forwarded for Pay Account action if appropriate.

h. Where the value of any deduction from pay or SCO made is less than the calculated Value of Loss, the MOD Form 2260 is to be forwarded to the Officer holding the necessary delegated powers of financial write off for action in accordance Chapter 4 Paragraph 32. The amount recorded for write off should be the net³ value of loss minus any deduction from pay or SCO. Losses outside the write off limits of Individual Units are to be staffed through the Chain of Command detailed in accordance with Chapter 4, Paragraphs 39-41. On completion of write-off action the Materiel Loss Register is to be updated and the MOD Form 2260 filed.

4. Action to be taken when the individual has left the Unit. When a loss is discovered where the individual responsible for the item has left a Unit, the MOD Form 2260 is to be forwarded, under cover of the Accounting Officer's letter summarising the circumstances of the loss, to the individual's new CO. Receiving Units are to acknowledge

³ Gross value less authorised reduction according to the category/condition of materiel at the time the loss occurred.

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receipt of the MOD Form 2260 within 14 days and action in accordance with Paragraphs 3b to h of the procedure above. On completion, MOD Form 2260s are to be returned to the originating Unit for write-off action (if required).

5. **Losses arising from Receipt Discrepancies.** If a loss becomes the responsibility of the consignee i.e. as a time-barred discrepancy or where proof of delivery is held etc, the demanding Unit is to bring the item(s) to charge and take write off action using loss code MLC 6. These losses are also to be reported in the Loss Certificate.

6. **Cancellation of MOD Form 2260.** When items reported lost are subsequently found after the MOD Form 2260 has been registered but before removal of the item(s) from charge and before re-imburement action has taken place, the MOD Form 2260 is to be cancelled in the Materiel Loss Register and a copy filed. If the item is found after it has been removed from charge, the transaction is to be reversed and the item brought back to account and the original MOD Form 2260 appended with reversal details. If a deduction from pay was awarded against an individual in relation to the loss, the Human Resource Administrator is to be informed to enable correction/reimbursement.